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SUBJECT: UNRWA REFORM: STAKEHOLDER MEETING ADVANCES DONOR
AGENDA

Classified By: Acting DCM Christopher Henzel for Reasons 1.4 (B) and (D)
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1. (C) SUMMARY: Leadership change at the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), combined with coordinated donor pressure, turned that agency's latest (May 17-20) round of stakeholder consultations in Amman into a rare debate on the role UNRWA should play in developing the Palestinian state after Gaza withdrawal. UNRWA responded positively to donors' calls to start harmonizing its first five-year development plan for Palestinian refugees in the region (its primary tool to respond to Gaza disengagement) with the PA and refugee-hosting nations, but most donors indicated that they would be unable to ramp-up financial support in 2005, raising questions about the viability of programs UNRWA hopes to launch in Gaza this fall to alleviate camp overcrowding and increase micro-credit and vocational training programs. The Amman meetings also kick-started a long-awaited UK-funded external review of UNRWA management, and built support for a governance reform plan that is centered on reviving UNRWA's semi-dormant Advisory Commission (AdCom) by December. Sweden announced its intention to table the UNGA resolution called for in that plan, which would establish new financial criteria for membership. However, Sweden is coming under pressure from Spain to break the consensus built in Amman. PRM PDAS Greene also signed the first USG-UNRWA Framework Agreement outlining USG policy concerns on the margins of this conference. END SUMMARY.

GAZA WITHDRAWAL FOCUSES DEBATE ON UNRWA'S DEVELOPMENT ROLE

2. (U) Senior UNRWA officials met with the agency's top 23 donors, the PLO Department of Refugee Affairs (PLO/DORA) and refugee-hosting nations, including Jordan, Syria, Lebanon, and Egypt, in Amman May 17-20. To address major donors' long-standing concerns about UNRWA's readiness to respond to Israel's plan to withdraw from Gaza and parts of the West Bank, Acting Commissioner General Karen Abu Zayd used the two-day meeting to showcase how UNRWA hopes to modify its emergency programs and to start implementing the agency's first five-year development plan (i.e., the UNRWA Medium Term Plan) in Gaza this fall. Using an UNSECOORD briefing on the difficulty the UN is facing refining its planning assumptions as an opening, UNRWA made a late-breaking appeal for donations to maintain its emergency programs through September. (NOTE: UNSECOORD predicted that the IDF will not be in a position to uphold its current plan to facilitate humanitarian agency movement within the Gaza Strip in the evenings and at weekends (the UN's best case access scenario) and focused on the UN's "worst case" access scenario -- a settler withdrawal "under fire" that would result in extended periods where humanitarian agencies would be unable to move personnel and supplies. END NOTE.)

USG BRIDGES GAP IN GAZA EMERGENCY PROGRAM FUNDING

3. (SBU) Gaza Field Director Lionel Brisson explained that the agency needs to bridge a USD 10 million shortfall to maintain its top two interventions in the Gaza Strip (i.e., expanding emergency job creation programs by targeting unemployed youth, as well as unemployed heads of households, and continuing its current emergency food distributions, which supports over half of Gaza's population). In response, USDDDEL head PRM PDAS Rich Greene confirmed the USG's recent decision to provide a USD 20 million contribution to UNRWA's current emergency appeal. He also urged Brisson to take immediate steps to pre-position emergency food stocks in central Gaza, the area most vulnerable to closure, as well as in UNRWA's warehouses in the north and south. No other donors used the semi-annual meeting to announce new contributions to the UNRWA Emergency Appeal, on which the majority of the 1.6 million refugees in the West Bank and Gaza are currently dependent. As of May 19, UNRWA had received pledges of USD 84.5 million of the USD 185 million it has requested. However, USD 30 million of that is earmarked for emergency housing in Rafah.

UNRWA'S WEST BANK FIELD MAY RELOCATE OFFICES

14. (U) UNRWA's West Bank Field Director, Anders Fange, cautioned that the humanitarian needs of refugees are likely to increase in the West Bank over the next year due to continuing construction of the security barrier. Sharing an internal impact study of the barrier construction's impact on the mobility of UNRWA's local West Bank staff and the accessibility of UNRWA facilities, Fange also informed donors and host authorities that he had felt compelled to start contingency planning to anticipate the likelihood that his field staff will have to start "cross-border"-like operations working out of its East Jerusalem Headquarters (which houses one of UNRWA's primary warehouse facilities) when the "Jerusalem envelope" is completed. Fange said UNRWA is also concerned that it will be unable to consistently access refugee communities located in the seam zones between the Green Line and the barrier. (NOTE: UN Office of the Coordinator for Humanitarian Affairs OpT Mission told PRM/PDAS Greene that OCHA shares UNRWA's assessment May 15. END NOTE.) Fange said that UNRWA may re-locate some of its East Jerusalem field and warehouse operations in Ramallah later this year. Although Fange's effort to prevent disruptions in UNRWA services was welcomed by donors, the PLO Department of Refugee Affairs urged UNRWA not to move ahead with the proposed relocation, noting its political implications.

NEW APPROACH TO POVERTY ALLEVIATION AND CAMP DEVELOPMENT

15. (U) UNRWA also outlined its plans to implement new approaches to poverty alleviation and camp infrastructure development contained in the agency's 2005-2009 Medium Term Plan (MTP)- released in February. It argues that launching these new activities would alleviate camp overcrowding and promote economic development in Gaza post-disengagement. (NOTE: Although UNRWA received a record USD 500 million from donors for its regular budget, special projects, and emergency appeal for the West Bank and Gaza in 2005, it is operating on a shoestring and has insufficient resources to maintain its facilities, build new infrastructure, and reverse a decade of staff attrition. To reverse this situation, UNRWA released the MTP to fund the new schools, teachers, medical clinics, doctors, social workers, housing, and other expenses detailed in UNRWA's with a preliminary USD 1.1 billion price tag. UNRWA's traditional major donors endorsed the objectives UNRWA is attempting to achieve through its MTP at the October 2004 UNRWA meeting in Amman, but urged UNRWA to refine its planning before revising its budget requirements. END NOTE.)

FINANCIAL IMPLICATIONS: 33 PERCENT BUDGET INCREASE

16. (U) The financial implications of UNRWA's decision to start integrating MTP activities into its current budget and the 2006-2007 biennium budget the agency is in the process of finalizing, are significant. UNRWA projected a 33 percent increase in its requirements over 2004-2005 (the agency set its 2006 budget at USD 489 million and 2007 budget at USD 506 million at the Amman meetings). However, it conceded in its briefing to donors that it has not yet incorporated the cost of implementing certain critical reforms, including UNRWA's decision to hire a poverty economist to modernize its relief programs by establishing needs' based eligibility criteria and harmonizing the assistance UNRWA provides unemployed refugees with that the PA and other refugee-hosting nations provide.

LUKEWARM DONOR, HOST NATION RESPONSE

17. (SBU) In a coordinated response, the U.S., Canada, EU, Sweden, the Netherlands and Switzerland called on UNRWA to recognize that the MTP is a working document that requires further elaboration, prioritization, and harmonization with host nations/PA planning before it can be fully integrated into regular budgets. Donors also urged UNRWA to develop new, joint planning with the PA under the leadership of Quartet Special Envoy Wolfensohn. The U.S. and EU underscored the point by noting that they would not be able to provide significant additional resources to UNRWA's 2006-07 budget. (NOTE: The USG provided USD 127 million in 2004, and the EU USD 130 million) together accounting for over one-half of all contributions. END NOTE.) PLO/DORA reinforced donor's appeal for joint planning by offering to facilitate PA-UNRWA coordination. Abu Zayd assured donors that UNRWA would continue to work with the PA to harmonize UNRWA's MTP with the PA's own five-year Medium Term Development Plan. She also informed donors that Wolfensohn had agreed to tour UNRWA's facilities in Gaza in June.

18. (C) However, the head of UNRWA's new Camp Development Unit, Guy Siri, raised fundamental questions about UNRWA's mandate to launch its camp re-development initiative in Gaza when he noted that UNRWA hopes to promote "home ownership."

While quickly clarifying that by "ownership" he meant that refugees would have a stake in the process of camp development rather than legal title to their dwelling, Siri's presentation prompted the Jordanian, Lebanese, and Syrian delegates to inform UNRWA that additional land would not be forthcoming. (NOTE: 1.3 of the 4.1 million refugees registered with UNRWA live in 59 camps in the region. Although overcrowding exists in camps in all five UNRWA fields (Jordan, Syria, Lebanon, the West Bank, and Gaza) it is worst in Gaza where Burj El Barajneh camp has a density of 200,000/sq km compared to the Gaza average of 85,000 people per square kilometer, already significantly higher than Hong Kong, for example, which averages 35,000/sq km. END NOTE.)

GOVERNANCE REFORM

19. (C) PDAS Greene used the Amman meetings to re-invigorate the UNRWA ComGen search with other major donors active on governance reform (Canada, Switzerland, the EU, Sweden, and the UK). Reiterating that the USG is not seeking the ComGen position given long-standing practice to reserve UNRWA's Deputy ComGen for an Amcit, he suggested that donors collectively underscore the importance of filling the ComGen slot with the SYG's office, underscoring the importance of identifying a Commissioner General ahead of Gaza withdrawal. Conceding that they had produced no viable European or Canadian candidates are six months of intensive searching, the UK and Switzerland argued that Amcit Acting ComGen Abu Zayd's interim leadership should be formally extended to ensure that she has the standing to push through internal governance reforms and UNRWA-PA coordination during the disengagement period in the event a replacement is not identified. Sweden went further, suggesting that donors agree to recommend her as the next ComGen. PDAS Greene responded that the USG is pleased with the job Abu Zayd has done as Acting ComGen, especially in providing greater transparency and in improving UNRWA's poor relations with Israel, but has not decided to endorse an American for the job. Canadian Middle East Peace Process representative Jill Sinclair suggested that it was time to persuade the SYG to undertake innovative new methods, such as employing a headhunter or an advertising campaign to identify good candidates, or to consider consolidating UNRWA's split Gaza/Amman Headquarters in Jordan.

DFID LAUNCHES LONG-AWAITED MANAGEMENT REFORM STUDY

10. (U) The UK also announced that two of its former diplomats, Robin Kealy and Geoffrey Haley, both of whom have worked extensively in the region, would conduct a long-awaited external review of UNRWA's management on behalf of the UK's Department for International Development (DFID). DFID assured donors that its report would be issued by October. At a pre-meeting coordination session, most major donors agreed that this review should form the basis of a comprehensive "management reform package," that donors would need to back financially over the next two years.

PLAN TO REVITALIZE DORMANT ADCOM BY 2006 LAUNCHED

11. (U) The May meeting also advanced a controversial proposal to overhaul UNRWA's governance structures by 2006 that a regionally-based trilateral (i.e., UNRWA, donor, refugee hosting nation) negotiation team, the UNRWA Working Group on Stakeholder Relations (WGSR), had developed over the last six months. (NOTE: Former UNRWA ComGen Peter Hansen reluctantly agreed to establish the WGSR at its October 2004 MDHM meeting to respond to demands for increased transparency that were raised at a high-level international conference (convened in Geneva to review UNRWA's operations) last June. END NOTE.) Given that the majority of UNRWA donors, the PLO and refugee-hosting nations participated in the WGSR, the conference participants widely endorsed the two-track plan, which is centered on the following activities:

-- Revitalize UNRWA's UNGA-mandated Advisory Commission, which currently meets once a year to review the ComGen's annual report to the UNGA, by establishing financial criteria for membership and by drafting rules of procedure that will create regular budget and programmatic reviews by donors and refugee-hosting nations.

-- Transform the semi-annual MDHM conferences into substantive annual workshops between UNRWA and other refugee services providers (i.e., UN, NGOs and host nations).

To ensure the plan's launch, Sweden offered to table the draft UNGA resolution that would be required to expand AdCom membership at the conference. While the Swedish delegation indicated that it would use the consensus elements negotiated within the WGSR, it is under pressure from Spain, which announced its desire to join the AdCom at the May meetings,

to relax the financial criteria agreed in Amman and Jerusalem-based negotiations. (NOTE: The WGSR focused on developing consensus on criteria to add new AdCom members. The majority of donors, the PLO and refugee-hosting nations agreed that new membership should be based on financial support to UNRWA's regular budget (i.e non-emergency program support) and proposed an average annual contribution of USD five-million over the 2000-20005 period as a formula. This would qualify eight new members states: Sweden, Norway, Netherlands, Canada, Italy, Denmark, Germany and Switzerland plus the EU, as an observer. Spain falls USD 4.7 million short. Early opposition by Turkey, Japan and Jordan to any proposal to remove current AdCom members, suggests that it will be difficult to apply these criteria to current members. END NOTE.) In addition, the PLO made a last-minute appeal to raise its AdCom status from observer to full member, citing its full-member status in ESCWA. The PLO found no support among donors, given that the AdCom makes no practical distinction between observers and full members, but universal endorsement from refugee hosting nation delegations, hardened the PLO's resolve.

12. (SBU) The conference asked the WGSR to continue to work with UNRWA through August to draft the AdCom's first rules of procedure, which would have to be adopted by the AdCom itself, and to identify the financial requirements needed to stand up an AdCom secretariat. While most major donors agree that a secretariat would be essential to establish regular budget and program reviews, Japan indicated it would not offer funding. Donors also called on UNRWA to abandon the current MDHM conference format by early 2006, and accept the WGSR's recommendation that it turn its informal, consultative meetings into thematic, information-sharing sessions among UN agencies and NGOs providing services to Palestinian refugees.

U.S.-UNRWA SIGN FIRST FRAMEWORK AGREEMENT

13. (C) PDAS Greene and the Acting UNRWA Comgen also signed the first annual USG-UNRWA Framework Agreement, which details USG policy concerns and outlines UNRWA actions to address them, on the margins of this conference.

14. (SBU) COMMENT: Unlike previous UNRWA Major Donor and Host Nation (MDHM) conferences, the absence of former UNRWA Commissioner General Peter Hansen, who departed UNRWA in March after a nine year term, combined with UNRWA's decision to use Gaza disengagement to implement its first five-year Medium Term Plan, advanced a reform agenda that donors have been pressing for years. The revitalized AdCom and Framework Agreement should be useful new tools to shape UNRWA's priorities and address remaining USG concerns. END COMMENT.

HALE